Rural Water District No. 13, Jefferson County, Kansas

Financial Statements
As of December 31, 2024 and 2023
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
Rural Water District No. 13,
Jefferson County, Kansas
1951 Wellman Rd.
Lawrence, KS 66044

April 22, 2025

Independent Auditor's Report

Opinion
We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 13, Jefferson County (the District), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Insurance in Force and Schedule of Statistical Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reporting on the Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water District No. 13, Jefferson County Kansas' annual financial report presents analysis of the District's financial performance during the fiscal year ended on December 31, 2024. The **Management's Discussion and Analysis** is designed to assist the reader in focusing on the significant financial issues and activities of the District and to identify any significant changes in financial position. This information should be read and considered with the financial statements taken as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this **Management Discussion and Analysis**, the **Financial Statements**, the **Notes to the Financial Statements** and **Supplementary Information**.

Required Financial Statements

The financial statements of the District provide information using accounting methods like those used by private sector companies. These statements offer current and long-term financial information about the activities of the District. The financial statements include the current and previous year's statements for comparison purposes year-to-year.

The **Statements of Net Position** include all the District's assets and liabilities and provide information about the nature and amounts of assets and obligations to the District's creditors (liabilities). This statement also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The **Statements of Revenues, Expenses and Changes in Net Position** show all the revenues and expenses for the District for the years shown. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully managed the costs through user fees and other charges, profitability, and credit worthiness.

The **Statements of Cash Flow** indicates cash receipts, cash payments, and net changes in cash. These changes result from operations, investing, and financing activities. This is simply stated as money in, money out, and money in the bank.

Notes to Financial Statements

The **Notes to Financial Statements** provide additional information that is essential to fully understand the data provided.

Supplementary Information

The **Kansas Public Employees Retirement System (KPERS) Schedules of District's Proportionate Share of the KPERS Net Pension Liability** and **District Contributions to KPERS, Schedule of Insurance in Force,** and **Schedule of Statistical Information** are presented at the end of with the **Notes to Financial Statements.** The District adopted the financial reporting standards of GASB No. 68 during 2021 and as such, the KPERS schedules are required to provide benchmarking and trend monitoring information.

USDA Project

During 2021, the Board of Directors (the Board) approved a long-term capital improvement project. During 2022, the Board approved to fund this project with a Rural Development loan from the United States Department of Agriculture (USDA) not to exceed $4,641,000. During 2024, the District applied for a cost overrun of $1,586,000, bringing the total to $6,227,000. The District was required to get an interim loan during the construction phase. Funds from this loan will be used to construct nearly 16 miles of 6,8,10, and 12-inch waterline at various locations throughout the District. The purpose of the waterlines is to alleviate flow restrictions and replace troublesome sections of waterlines. A third high service pump will be installed at the treatment plant to improve transmission capacity. Backup generators will be installed at the wells and Wellman booster pump station to ensure operations during a power outage. In addition, a new well and pumping station will be added, upgrades to the plant filtering system, and replacement of the northern booster pump operation. Further financial information regarding this project is provided in Notes 4 and 6 of the Note to Financial Statements.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Statements of Net Position

The **Statements of Net Position** shows the balanced financial position of assets/deferred inflows of resources and liabilities/deferred outflows of resources for the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

	As of December 31, 2024	As of December 31, 2023	Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current assets	$ 842,376	$ 834,732	$ 7,644
Noncurrent assets	6,570,403	3,981,376	2,589,027
Deferred outflows of resources	60,293	77,784	(17,491)
Total Assets and Deferred Outflows of Resources	$ 7,473,072	$ 4,893,892	$ 2,579,180
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities	$ 2,699,555	$ 65,642	$ 2,633,913
Noncurrent liabilities	511,757	677,155	(165,398)
Deferred inflows of resources	6,718	29	6,689
Total Liabilities and Deferred Inflows of Resources	3,218,030	742,826	2,350,295
Net Position			
Net investment in capital assets	3,607,588	3,307,966	299,622
Restricted for debt service	157,403	147,962	9,441
Unrestricted	490,051	695,138	(205,087)
Total Net Position	4,255,042	4,151,066	103,976
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 7,473,072	$ 4,893,892	$ 2,579,180

Total Assets and Deferred Outflows of Resources decreased $2,579,180 (52.7%) year over year. This was a result of the USDA funded capital improvement project. Of the total asset balance, 6,413,000 relates to capital assets.

The **Total Liabilities and Deferred Inflows of Resources** increased $2,350,295 (316.4%) year over year. **Current Liabilities** increased 2,633,913 (4,012.54%) year over year. This was a result of the draws on the interim loan for the capital project. The loan matures in 2025 which will be refinanced to long-term with a USDA loan. **Long-Term Debt** decreased $165,398 (-24.4%) due to regular debt payments against the District water revenue bonds.

The **Total Net Position** of the District increased slightly in 2024 ($103,976 or 2.5%). The **Total net position** is divided into three areas - **Net investment in capital assets**, **Restricted for debt service,** and **Unrestricted**.

- A large portion of the District's **Total Net Position** consists of the District's **Net Investment in Capital Assets** portion ($3,607,588 or 84.8% of the **Total Net Position**) which includes physical assets (distribution system, plant equipment and vehicles) less related debt and accumulated depreciation. The District uses these assets to provide service and consequently these assets are not available for liquidation or for other spending.

- The **Restricted** portion ($157,403 or 3.7% of the **Total Net Position**), also noted in the Noncurrent Assets section above) is the amount of money required to be set aside to make payment on our long-term debt in

the event of default. This amount is slightly larger than the absolute minimum set aside required by KRWFA (which is $129,900) as the District chooses to let the interest in this account accumulate. The $129,900 portion of this money is not available for use by the District.

- The **Unrestricted** amount ($490,051 or 11.5% of the **Total Net Position**) represents the amount available to be used to meet the District's ongoing obligations to creditors and operations of the District. The District has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations.

At the end of the 2024 fiscal year the District has positive balances in all categories of **Total net position**.

Statements of Revenues, Expenses and Changes in Net Position

The **Statements of Revenues, Expenses and Changes in Net Position** provides insight to the nature and source of the changes from the **Statements of Net Position**.

	2024	2023	Change
Operating Loss			
Operating revenues	$ 1,006,542	$ 985,567	$ 20,975
Operating expense	(1,202,591)	(1,075,720)	(126,871)
Operating Loss	(196,049)	(90,153)	(105,896)
Nonoperating Revenue (Expense)			
Other nonoperating revenues	40,050	22,101	17,949
Other nonoperating expense	(23,364)	(20,487)	15,072
Total Nonoperating Revenue (Expense)	16,686	1,614	31,743
Capital Contributions	283,339	111,300	394,639
Increase (Decrease) in Net Position	103,976	22,761	81,215
Net Position – Beginning	4,151,066	4,128,305	22,761
Net Position – Ending	$ 4,255,042	$ 4,151,066	$ 103,976

Total Operating Revenues increased $20,975 or 2.1%, in 2024 from 2023, which is not a significant change.

Total Operating Expenses increased $126,871 or 11.7% in 2024 from 2023, which is a result of higher repairs and maintenance costs and higher chemical costs.

Overall the change in **Net Position - Ending** for the District is an increase of $103,976 for 2024. The District's financial position is similar to its position at the end of 2023.

Statements of Cash Flows

The **Statements of Cash Flows** describes the sources of District's cash and how that cash was spent over the year. Non-cash items such as depreciation are not included in this statement. This makes the statement useful for determining the short-term viability of the District, particularly the District's ability to pay bills. As such, the **Statements of Cash Flows** shows how the District has performed in managing inflows and outflows of cash.

Statements of Cash Flows (Continued)

	2024	2023	Increase (Decrease)
Cash Provided by (Used in)			
Operating activities	$ 345,830	$ 208,813	$ 137,017
Investing activities	33,546	6,532	27,014
Capital and related financing activities	(385,975)	(188,100)	(197,875)
Net Increase (Decrease) in Cash and Equivalents	(6,599)	27,245	(33,844)
Cash and Equivalents – Beginning of Year	665,174	637,929	27,245
Cash and Equivalents – End of Year	$ 658,575	$ 665,174	$ (6,599)

Net Cash Provided By Operating Activities increased $137,017 or 65.6%, in 2024 from 2023, which is a result of less cash paid to suppliers that the previous year.

Cash Flows from Investing Activities increased $27,014 or 413.6%, in 2024 from 2023. This increase is a result of high interest rates leading to increased interest earned on deposits.

Cash Flows Used in Capital and Related Financing Activities decreased $197,875 or 105.2%. The major activities contributing to this change are a increase in purchase of capital assets and principle received from long-term debt.

The end of year net change of **Cash and Cash Equivalents – Ending** decreased $6,599 or 1.0% in 2024 as compared to 2024.

There is a section (**Reconciliation of Operating Net Income (Loss) to Net Cash)** at the bottom of the **Statements of Cash Flows** that provides a breakdown of accounts and their effects on the District's cash position.

Debt Ratio

The State of Kansas requires the District to maintain our debt service coverage ratio coverage at 1.25 (minimum). The District's ratio for 2024 was 1.48. Although the debt service coverage ratio is not a part of the Financial Statement, the District uses this as another indicator on how capable the District is to pay their debts. The higher the debt service ratio the better the District's ability to cover debts.

Contact Information

Any questions regarding the report or request for additional information should be directed to:

Rural Water District No. 13, Jefferson County, Kansas
District Board of Directors
Attention: Gordon A. Brest, Board Chairman
1951 Wellman Road
Lawrence, Kansas 66044

FINANCIAL STATEMENTS

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 658,575	$ 665,174
Accounts receivable, net	82,614	69,091
Inventory	101,187	100,467
Total Current Assets	842,376	834,732
Noncurrent Assets		
Capital assets, net	6,413,000	3,833,414
Cash restricted for debt service	157,403	147,962
Total Noncurrent Assets	6,570,403	3,981,376
Deferred Outflows of Resources		
KPERS pension plan	60,293	77,784
Total Assets and Deferred Outflows of Resources	$ 7,473,072	$ 4,893,892
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 207,267	$ 5,814
Accrued liabilities	676	4,828
Long-term debt	2,491,612	55,000
Total Current Liabilities	2,699,555	65,642
Noncurrent Liabilities		
KPERS net pension liability	197,957	206,707
Long-term debt – net of current portion and discount	313,800	470,448
Total Noncurrent Liabilities	511,757	677,155
Total Liabilities	3,211,312	742,797
Deferred Inflows of Resources		
KPERS pension plan	6,718	29
Net Position		
Net investment in capital assets	3,607,588	3,307,966
Restricted for debt service	157,403	147,962
Unrestricted	490,051	695,138
Total Net Position	4,255,042	4,151,066
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 7,473,072	$ 4,893,892

	2024	2023
Operating Revenues		
Water sales	$ 996,126	$ 975,688
Late fees	10,416	9,879
Total Operating Revenues	1,006,542	985,567
Operating Expenses		
Payroll	251,472	273,210
Employee benefits	37,515	42,497
Operating equipment and supplies	9,808	11,388
Chemicals and supplies	82,952	47,052
Contract labor	33,031	23,889
Depreciation and amortization	352,832	354,181
Dues and fees	5,260	8,015
Insurance	26,782	27,464
Professional fees	13,991	14,673
Office	42,400	22,113
Safety	340	1,928
Repairs and maintenance	253,969	176,273
Utilities	77,426	63,040
Security	1,537	3,039
Water relief	1,916	1,823
Miscellaneous	11,360	5,135
Total Operating Expenses	1,202,591	1,075,720
Operating Loss	(196,049)	(90,153)
Nonoperating Revenue (Expense)		
Interest income	33,546	6,532
Other income	6,504	15,569
Interest expense	(23,364)	(20,487)
Total Nonoperating Revenue (Expense)	16,686	1,614
Net Loss Before Capital Contributions	(179,363)	(88,539)
Capital Contributions		
Benefit unit sales	110,981	111,300
Aid in construction	172,358	-
Total Capital Contributions	283,339	111,300
Change in Net Position	103,976	22,761
Net Position – Beginning	4,151,066	4,128,305
Net Position – Ending	$ 4,255,042	$ 4,151,066

	2024	2023
Cash Flows from Operating Activities		
Cash received from customers	$ 983,578	$ 982,934
Cash paid to suppliers	(360,039)	(479,145)
Cash paid to employees	(277,709)	(294,976)
Net Cash Provided by Operating Activities	345,830	208,813
Cash Flows from Investing Activities		
Interest income	33,546	6,532
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,930,178)	(173,370)
Capital contributions	283,339	111,300
Principle paid on long-term debt	(110,000)	(165,000)
Principle received from long-term debt	2,387,724	43,888
Interest paid on long-term debt	(23,364)	(20,487)
Other capital activity	6,504	15,569
Net Cash Used in Capital and Related Financing Activities	(385,975)	(188,100)
Net Change in Cash and Cash Equivalents	(6,599)	27,245
Cash and Cash Equivalents – Beginning	665,174	637,929
Cash and Cash Equivalents – Ending	$ 658,575	$ 665,174
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (196,049)	$ (90,153)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation and amortization	352,832	354,181
Decrease (increase) in accounts receivable, net	(13,523)	1,724
Decrease (increase) in inventory	(720)	(3,812)
Decrease (increase) in cash restricted for debt service	(9,441)	(4,357)
Decrease (increase) in deferred outflow of resources	17,491	1,608
Increase (decrease) in accounts payable	201,453	(61,152)
Increase (decrease) in accrued liabilities	(4,152)	(408)
Increase (decrease) in accrued interest	-	(8,349)
Increase (decrease) in KPERS net pension liability	(8,750)	20,666
Increase (decrease) in deferred inflows of resources	6,689	(1,135)
Net Cash Provided by Operating Activities	$ 345,830	$ 208,813
Supplemental Disclosure of Noncash Financing Activity		
Purchase of capital assets under short term financing using accounts payable	$ 198,189	$ -

Note 1: Summary of Significant Accounting Policies

Organization

Rural Water District No. 13, Jefferson County, Kansas (the District), was incorporated in 1974 as a quasi-municipal corporation under Kansas Statute K.S.A. 82a-612 et seq. to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located in portions of Jefferson, Leavenworth and Douglas counties. The District is governed by a seven-member board of directors.

The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District. The accompanying financial statements present the activities and water system operating fund of the District. The District has considered all potential component units for which the district is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based on these criteria, there are no component units to be included within the District as a reporting entity.

Basis of Presentation

Government-wide statements. The *statement of net position* and the *statement of revenues, expenses, and changes in net position* display information about the primary government, the District. These statements include the financial activities of the overall government business-type activities which are financed mostly by fees charged to external parties. Business-type activities are reported in one fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The District reports the following proprietary (business-type enterprise) fund:

Water System Fund. This business-type enterprise fund accounts for the operation and maintenance of the water system of the District. All activities and balances of the entity are accounted for in this fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include capital contributions, grants, entitlements, and donations.

Enterprise funds are used to account for operations operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Cash and Cash Equivalents

The District considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the District to meet current liabilities if they wish to pay any applicable penalties.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are customer water bills that have been invoiced but remain unpaid. All receivables are considered due upon receipt. Receivables are reported net of an allowance for uncollectible accounts. The District provides an allowance for doubtful accounts based upon review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible accounts netted with accounts receivable was $4,285 for the years ended December 31, 2024 and 2023.

Inventory

Inventory is valued at the lower of cost or market and consists of pipe, valves, meters and other items needed to repair or add water lines.

Capital Assets

Capital assets purchased for $5,000 or more are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of the assets range from 5 to 40 years. Capital assets purchased or built are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method over the following estimated useful lives: water distribution system – 10 to 42 years; furniture, fixtures and equipment – 3 to 10 years; building and building improvements – 5 to 20 years; and vehicles – 5 years.

Net Position

Net position is comprised the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Income Taxes

The District is a quasi-municipality and, as such, it is not subject to income taxes.

Budgetary Information

Kansas statutes provide an exemption for the District to legally adopt a budget for the fund type used by the District. The budget established by the District is for management use only. Expenditures are controlled through internal spending limits monitored by the board of directors.

Benefit Units

Members of the District are required to pay a fee for each benefit unit prior to connecting to the District’s lines. The price of the benefit unit varies by the size of the meter.

Note 1: Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through April 22, 2025 which is the date the financial statements were available to be issued.

Note 2: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's fund have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Kansas statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. Kansas statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

Depository Security Coverage – December 31, 2024

On December 31, 2024, the District's carrying amount of deposits was $815,978 and the bank balance was $1,088,881. This difference is outstanding checks and deposits in transit. Of the bank balance, $905,038 was covered by federal depository insurance and $183,843 was collateralized by the fair value of securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

Depository Security Coverage – December 31, 2023

On December 31, 2023, the District's carrying amount of deposits was $813,136 and the bank balance was $822,318. This difference is outstanding checks and deposits in transit. Of the bank balance, $250,000 was covered by federal depository insurance and $572,249 was collateralized by the fair value of securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance on December 31, 2023	Additions	Retirements	Balance on December 31, 2024
Nondepreciable Capital Assets				
Land and easements	$ 22,000	$ -	$ -	$ 22,000
Construction in progress	275,664	2,793,640	-	3,069,304
Total Nondepreciable Capital Assets	297,664	2,793,640	-	3,091,304
Depreciable Capital Assets				
Office buildings	39,389	24,752	-	64,141
Furniture and equipment	93,814	8,318	-	102,132
Water distribution system	10,191,243	103,468	-	10,294,711
Vehicles	75,064	-	-	75,064
Total Depreciable Capital Assets	10,399,510	136,538	-	10,536,048
Accumulated depreciation	(6,863,760)	(350,592)	-	(7,214,352)
Total Depreciable Capital Assets, Net	3,535,750	(214,054)	-	3,321,696
Capital Assets, Net	$ 3,833,414	$ 2,579,586	$ -	$ 6,413,000

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance on December 31, 2022	Additions	Retirements	Balance on December 31, 2023
Nondepreciable Capital Assets				
Land and easements	$ 22,000	$ -	$ -	$ 22,000
Construction in progress	223,174	64,632	(12,142)	275,664
Total Nondepreciable Capital Assets	245,174	64,632	(12,142)	297,664
Depreciable Capital Assets				
Office buildings	32,039	7,350	-	39,389
Furniture and equipment	93,814	-	-	93,814
Water distribution system	10,077,713	113,530	-	10,191,243
Vehicles	75,064	-	-	75,064
Total Depreciable Capital Assets	10,278,630	120,880	-	10,399,510
Accumulated depreciation	(6,511,819)	(351,941)	-	(6,863,760)
Total Depreciable Capital Assets, Net	3,766,811	(231,061)	-	3,535,750
Capital Assets, Net	$ 4,011,985	$ (166,429)	$ (12,142)	$ 3,833,414

Note 4: Long-Term Debt

Changes in long-term debt for the years ending December 31, 2024 and 2023 are as follows:

	2024 Beginning Balance	Additions	Retirements	2024 Ending Balance
Water Revenue Bonds	$ 495,000	$ -	$ 110,000	$ 385,000
Interim Project Loan	43,888	2,387,724	-	2,431,612
	538,888	2,387,724	110,000	2,816,612

	2023 Beginning Balance	Additions	Retirements	2023 Ending Balance
Water Revenue Bonds	$ 660,000	$ -	$ 165,000	$ 495,000
Interim Project Loan	-	43,888	-	43,888
	660,000	43,888	165,000	538,888

Long-term debt, net of current portion and unamortized bond discount consists of the following on December 31, 2024 and 2023:

	2024	2023
Water Revenue Bonds. In January 2013, the District issued $1,595,000 in Series A, 2013 Revenue Bonds with a variable interest rate between 0.5% and 3.25%. The new bond issue paid-off the outstanding debt held through the Kansas Department of Health and Environment. Payments of principal and interest are due semi-annually. The series will mature on August 1, 2028.	$ 385,000	$ 495,000
Interim Project Loan. During 2022, the District approved a long-term capital improvement project to be funded by a Rural Development loan from the United States Department of Agriculture (USDA) not to exceed $4,641,000. In January 2024, the District was approved for a cost overrun of an additional $1,586,000 for a total loan cost of $6,227,000. The District was required to obtain interim financing while the project was in process, as the USDA loan is not available until the completion of the project. During 2022, The District obtained a short-term loan in the amount of $4,511,000 from Emprise Bank. In 2024, the loan was amended for an additional $1,716,000. The amount noted is the current draws against the interim loan. The interim loan has a current maturity date of August 16, 2025, thus the entirety of the balance is shown as current on the statement of financial position.	2,431,612	43,888
Less: Current portion of long-term debt	(2,491,612)	(55,000)
Less: Unamortized bond discount	(11,200)	(13,440)
Long-Term Debt, Net of Current Portion and Discount	$ 313,800	$ 470,448

Note 4: Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

Due in Year(s) Ended December 31,	Principal	Interest	Total
2025	$ 2,491,612	$ 6,031	$ 2,497,643
2026	120,000	9,438	129,438
2027	120,000	5,688	125,688
2028	85,000	1,788	86,788
2029	-	-	-
	$ 2,816,612	$ 22,945	$ 2,839,557

2013 Water Revenue Bond Discount Information:

The bonds were issued at a discount of $33,600 which is amortized over the life of the bonds using the straight-line method because the effective yield method was determined to not be significantly different. There was $2,240 of bond amortization expense for each of the years ending December 31, 2024 and 2023.

Note 5: Debt Service Ratio

The 2013 Water Revenue Bond issue covenants require the District to maintain a debt service ratio of at least 1.25. The following represents the debt service ratio calculation for the years ending December 31,:

	2024	2023
Change in net position	$ 103,976	$ 22,761
Interest expense	23,364	20,487
Depreciation and amortization	352,832	354,181
Capital contributions	(283,339)	(111,300)
Total Revenue Available for Debt Service	$ 196,833	$ 286,129
Debt service payments	$ 133,364	$ 130,487
Debt service ratio	1.48	2.19

Note 6: Capital Improvement Project

During 2021, the Board of Directors approved a long-term capital improvement project. During 2022, the Board approved to fund this project with a Rural Development loan from the United States Department of Agriculture (USDA) not to exceed $4,641,000. This amount was increased to $6,227,000 in 2024. The District was required to obtain interim financing while the project was in process, as the USDA loan is not available until the completion of the project. During 2022, The District obtained a short-term loan in the amount of $4,511,000 from Emprise Bank, which was increased to $6,227,000 in 2024. (see Note 4).

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Project Authorization	Expenditures As of December 31, 2024
USDA funded capital improvement project	$ 6,227,000	$ 3,052,962

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Insurance Company. The District did not experience losses related to these risks during the years ended December 31, 2024 and 2023.

Note 8: Commitment to Install Meters

As of December 31, 2024, the District has a commitment to install meters for 15 benefit unit owners. The meters will be installed at the owners request.

Note 9: Commitment to Sell Water

The District has entered into contracts with the City of McLouth, Kansas and Rural Water District No. 10, Leavenworth County, Kansas by which the District sells water to each entity. Each contract has a term of 12 months, beginning January 1, expiring December 31. The contracts are updated and reviewed each year.

The terms of the contracts for the year ending December 31, 2025 are detailed as follows:

	City of McLouth	RWD #10 Leavenworth Co.
Base fee per month	$ 37.00	$ 37.00
Minimum quantity purchased (gallons)	300,000	200,000
Maximum quantity purchased (gallons)	1,250,000	1,250,000
Base rate per 1,000 gallons	$ 7.05	$ 7.05
Base rate per 1,000 gallons above maximum	$ 7.20	$ 7.20

Note 10: Compensated Absences

The District grants vacation to all employees at a rate based on years of experience. Employees are allowed a maximum carry over of 40 hours of unused vacation. In the event of termination, an employee is reimbursed for accumulated vacation days. Management of the District does not believe the related liability, if any, is material to the financial statements and accordingly has not accrued such a liability in the accompanying financial statements.

Note 11: Participation in KPERS Pension Plan

General Information about the Pension Plan

Plan description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes
  - State/School Employees
  - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by KPERS. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional but irrevocable once elected. The District is an employer participant included in the Local Employees group.

Benefits

Benefits are established by statute and may only be changed by the Kansas legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit.

Note 11: Participation in KPERS Pension Plan (Continued)

Benefits (Continued)

Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74 4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERS 3) was created for new hires starting after January 1, 2015. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74 4922.

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74 4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

Note 11: Participation in KPERS Pension Plan (Continued)

The actuarially determined employer contribution rate and the statutory contribution rates are as follows for each of the years ended June 30,:

	2024		2023	
	Actuarial Employer Rate	Statutory Employer Capped Rate	Actuarial Employer Rate	Statutory Employer Capped Rate
State employees (1)	9.38%	12.57%	10.08%	13.11%
School employees (1)	13.88	12.57	13.88	13.11
Local government employees	9.26	9.26	8.43	8.43
Police and Firemen	23.10	23.10	22.86	22.86
Judges	16.48	16.48	17.77	17.77

(1) The State/School subgroups are combined into one group for purposes of determining a contribution rate. Rates shown for State, School and Judges represent the rates for a fiscal year ending June 30. KPERS Local and Police and Firemen rates are calendar year.

Employer and Nonemployer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State
- School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages for each group are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been rounded for presentation purposes.

Net Pension Liability (2024)

The components of the collective net pension liability of the participating employers by each group at June 30, 2024, were as follows:

	Total Pension Liability	Less Fiduciary Net Position	Net Pension Liability
State/School	$ 25,247,290,213	$ 18,710,873,937	$ 6,536,416,276
Local	7,508,529,336	5,384,299,797	2,124,229,539
Police & Firemen	4,774,062,664	3,180,051,299	1,594,011,365
Judges	235,430,016	199,221,387	36,208,629
	$ 37,765,312,229	$ 27,474,446,420	$ 10,290,865,809

Note 11: Participation in KPERS Pension Plan (Continued)

Net Pension Liability (2024) (Continued)

The District's proportionate share of the local group net pension liability at June 30, 2024 was determined as follows:

District contributions	$ 19,048
Local Group contributions	204,394,178
District's percentage of Local Group contributions	.009319%
Total net pension liability of the Local Group	2,124,229,539
District's proportionate share of the net pension liability	$ 197,957

Net Pension Liability (2023)

The components of the collective net pension liability of the participating employers by each group at June 30, 2023, were as follows:

	Total Pension Liability	Less Fiduciary Net Position	Net Pension Liability
State/School	$ 24,582,564,252	$ 17,626,220,240	$ 6,956,344,012
Local	7,124,055,778	5,026,150,858	2,097,904,920
Police & Firemen	4,557,197,869	2,959,942,239	1,597,255,630
Judges	229,842,668	188,346,291	41,496,377
	$ 36,493,660,567	$ 25,800,659,628	$ 10,693,000,939

The District's proportionate share of the local group net pension liability at June 30, 2023 was determined as follows:

District contributions	$ 18,529
Local Group contributions	188,051,342
District's percentage of Local Group contributions	.009853%
Total net pension liability of the Local Group	2,097,904,920
District's proportionate share of the net pension liability	$ 206,707

Receivables

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8 percent per year, for the cost of service credits granted retroactively when the agency initially joined the Retirement System. As of June 30, 2023 and 2022, the outstanding balance owed by agencies to the KPERS plan was $1,667,032 and $2,564,230, respectively. No portion of these amounts was owed by the District.

Note 11: Participation in KPERS Pension Plan (Continued)

Actuarial Assumptions

Each total pension liability was determined by an actuarial valuation as of the previous December 31, which was rolled forward to June 30, using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2024	June 30, 2023
Actuarial Cost Method	Entry age normal	Entry age normal
Price Inflation	2.75 percent	2.75 percent
Salary Increase	3.50 to 15.50 percent, including price inflation	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.00 percent compounded annually, net of investment expense and including price inflation	7.00 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

	2024		2023	
	Long-Term Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	0.00%	0.00%	23.50%	5.20%
Non-U.S. Equities	43.00	8.20	23.50	6.40
Core Fixed Income	13.00	2.20	11.00	1.55
Yield Driven	12.00	5.30	8.00	4.70
Infrastructure	3.00	6.80	0.00	0.00
Real Estate	15.00	5.70	11.00	4.45
Alternatives	11.00	12.00	0.00	0.00
Short Term Investments	3.00	0.30	4.00	0.25
Private Equity	0.00	0.00	8.00	9.50
Real Return	0.00	0.00	11.00	3.25
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability at each measurement date of June 30, 2024 and 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions.

Note 11: Participation in KPERS Pension Plan (Continued)

In KPERS, the Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate. However, the State/School groups do not necessarily do so.

Based on legislation first passed in 1993, the employer contribution rates certified by the KPERS Board may not increase by more than the statutory cap. Subsequent legislation in 2012 set the statutory cap at 0.90 percent for Fiscal Year 2014, 1.00 percent for Fiscal Year 2015, 1.10 percent for Fiscal Year 2016 and 1.20 percent for Fiscal Years 2017 and beyond.

In recent years, the Kansas legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the statutorily capped rates.

In 2015, S.B. 4, reduced the previously certified State/School statutory rate from 11.27 percent to 8.65 percent for the last half of Fiscal Year 2015. That same session, S.B. 228 recertified statutory rates to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1.0 billion in pension obligation bonds.

Legislation in the 2016 session (S.B. 161) provided for the delay of up to $100.0 million in State and School contributions to the Retirement System for Fiscal Year 2016. Concurrently, 2016 H. Sub for S.B. 249 provided that the delayed contributions would be paid in full, with interest at 8.00 percent, by June 30, 2018. However, legislation passed by the 2017 Kansas legislature removed the repayment provision. In addition, 2017 S. Sub for H.B. 2052 delayed $64.0 million in Fiscal Year 2017 contributions, to be paid over 20 years in level dollar installments. The first-year payment of $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made for the State/School group at the statutory contribution rate of 12.01 percent for that year.

Additional legislation in the 2017 Session (S. Sub for H.B. 2002) provided for a reduction of $194.0 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as receivables by KPERS.

The 2018 Legislature passed H. Sub for S.B. 109 that provided additional contributions to the school group of $56.0 million in Fiscal Year 2018 and $82.0 million in Fiscal Year 2019.

The 2019 Legislature passed S.B. 9 that provided additional contributions to the school group of $115.0 million in Fiscal Year 2019. H. Sub for S.B. 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in Fiscal Year 2020 of $51.0 million.

The 2021 Legislature passed H.B. 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500.0 million to fund a portion of the School's unfunded actuarial liability. S.B. 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09 percent to 13.33 percent and Fiscal Year 2023 from 13.86 percent to 13.11 percent. The bond proceeds were received by KPERS on August 26, 2021.

The 2022 Legislature passed S.B. 421, which authorized the state of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600.0 million was transferred to the System. S.B. 421 authorized two additional transfers totaling $271.0 million in Fiscal Year 2023 (reflected in the projected cash flows of the System).

Note 11: Participation in KPERS Pension Plan (Continued)

The 2023 Legislature passed HB 2196, which expanded the Deferred Retirement Option Plan (DROP) in KP&F to include all of that System's employers as of April 27, 2023. Under that same Bill, the Kansas Department of Wildlife and Parks (KDWP) became an affiliated KP&F employer making certain law enforcement positions in the Agency eligible for KP&F future service participation as of July 1, 2023. HB 2100 was also passed, defining and establishing limits on environmental, social and governance factors when entering into contracts (including investment contracts) and when making proxy votes on behalf of the System. This latter change was not expected to materially affect the asset allocation. Neither act impacted the valuation results.

Based on the employer contribution history described above, it is a reasonable assumption that the State/ School group's contribution rate may not be certified at the statutory rate at some point in the future. It has been assumed that the contribution rates will be made within the same range as have been seen in the past few years. Using this assumption, actuarial modeling indicates that employer contribution rates for the State/ School group are sufficient to avoid a depletion date. The Local, Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

The 2024 Legislature passed HB 2711 that increased both the lump sum retiree death benefit from $4,000 to $6,000 and employer contribution rates for State/School for FY 2025 and FY 2026 and for Local employers for CY 2025 to fund this benefit improvement. The Bill also increased the employer contribution threshold for the 30% Working After Retirement (WAR) rate from $25,000 to $40,000; and the earnings limit for KP&F retirees from $25,000 to $40,000; while creating an exemption from employer contributions for nurses and direct support workers at Community Development Disability Organizations (CDDOs). Further, the Bill increased the alternative investment cap from 15% to 25% and requires the System to divest all publicly traded securities held in funds by countries of concern. None of the changes from this legislation had any impact on the valuation.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (2024)

The following presents the net pension liability of the KPERS pension plan, as well as the District's proportionate share of the local group net pension liability, as of June 30, 2024, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Discount Rate (7.00%)	1.00% Increase (8.00%)
State/School	$ 9,627,654,177	$ 6,536,416,276	$ 3,947,095,306
Local	3,075,303,370	2,124,229,539	1,329,391,543
Police & Firemen	2,180,861,389	1,594,011,365	1,103,239,319
Judges	58,398,715	36,208,629	16,999,203
	$ 14,942,217,651	$ 10,290,865,809	$ 6,396,725,371
District's proportionate share of the local group net pension liability	$ 286,588	$ 197,957	$ 123,886

Note 11: Participation in KPERS Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (2023)

The following presents the net pension liability of the KPERS pension plan, as well as the District's proportionate share of the local group net pension liability, as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Discount Rate (7.00%)	1.00% Increase (8.00%)
State/School	$ 10,005,809,203	$ 6,956,344,012	$ 4,408,571,911
Local	3,008,171,712	2,097,904,920	1,339,557,796
Police & Firemen	2,153,910,082	1,597,255,630	1,132,496,013
Judges	63,672,415	41,496,377	22,387,191
	$ 15,231,563,412	$ 10,693,000,939	$ 6,903,012,911
District's proportionate share of the local group net pension liability	$ 296,395	$ 206,707	$ 131,987

Special Funding Situation

The employer contributions for non-public school district schools, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, area vocational technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB Statement No. 68. The State of Kansas is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the pension plan for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to their financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

Special Funding Situation (Continued)

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies' "working after retirement" contributions and resulting net pension liability are attributable to the employer.

The District's participation in the KPERS pension plan is not subject to the special funding situation as described above.

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the District's proportionate share of deferred outflows of resources and deferred inflows of resources reported as of December 31, 2024 and 2023, are detailed in the tables on the next page. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period. Deferrals on the differences between expected and actual earnings on investments are netted as either a deferred outflow or inflow of resources.

Note 11: Participation in KPERS Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	2024	2023
Deferred Outflows of Resources		
Differences between expected and actual experience	$ 24,080	$ 17,183
Net difference between projected and actual earnings on pension plan investments	1,213	12,073
Changes in assumptions	11,965	21,908
Changes in proportion	11,009	16,030
District contributions to the KPERS plan after the measurement date of June 30	12,026	10,590
Total Deferred Outflows of Resources	60,293	77,784
Deferred Inflows of Resources		
Differences between expected and actual experience	-	29
Changes in proportion	6,718	-
Total Deferred Inflows of Resources	6,718	29
Net Deferred Outflows of Resources	$ 53,575	$ 77,755

The following table provides the amortization effect of the District's net deferred outflows, as of December 31, 2024, that will be recognized in pension expense in future years:

Future Year	Increase (Decrease) to Pension Expense
2025	$ 25,623
2026	23,544
2027	4,791
2028	(383)
	$ 53,575

Pension Expense

Pension expense includes changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The components of pension expense for the years ending December 31, 2024 and 2023, are as follows:

	2024	2023
Service cost	$ 14,999	$ 14,879
Interest	45,080	45,327
Projected earnings on plan investments	(32,480)	(32,679)
Employee contributions	(12,838)	(12,771)
Expensed portion of difference between actual and expected experience in the total pension liability	3,262	2,985
Expensed portion of current period assumption changes	35	-
Expensed portion of difference between projected and actual earnings on plan investments	(1,965)	(165)
Administrative expenses	447	478
Other changes	(47)	(50)
Recognition of beginning deferred outflows of resources	35,131	39,538
Recognition of beginning deferred inflows of resources	(14,109)	(15,045)
Total District Pension Expense	$ 37,515	$ 26,563

REQUIRED SUPPLEMENTARY INFORMATION

	2024	2023	2022	2021	2020
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Schedule of the District's Proportionate Share of the KPERS Net Pension Liability					
District's proportion of the net pension liability	.009319%	.009853%	.009358%	.008195%	0.008144%
District's proportionate share of KPERS net pension liability	$ 197,957	$ 206,707	$ 186,041	$ 98,336	$ 141,189
District's covered payroll	226,525	237,261	188,080	157,797	154,594
District's proportionate share of KPERS net pension liability as a percentage of the District's covered payroll	87.39%	87.12%	98.92%	62.32%	91.33%
KPERS fiduciary net position as a percentage of the total pension liability	71.71%	70.55%	69.75%	76.40%	66.30%
Schedule of District Pension Contributions					
Contractually required District contributions	$ 19,048	$ 18,529	$ 16,712	$ 13,807	$ 13,456
Contributions in relation to the contractually required amount	19,048	18,529	16,712	13,807	13,456
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 226,525	$ 237,261	$ 188,080	$ 157,797	$ 154,594
Contributions as a percentage of covered payroll	8.41%	7.81%	8.89%	8.75%	8.70%

	2019	2018	2017	2016	2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Schedule of the District's Proportionate Share of the KPERS Net Pension Liability					
District's proportion of the net pension liability	.008112%	.006848%	.008216%	.008546%	.008330%
District's proportionate share of KPERS net pension liability	$ 113,355	$ 95,477	$ 119,005	$ 95,447	$ 119,005
District's covered payroll	149,770	123,982	145,712	146,446	139,038
District's proportionate share of KPERS net pension liability as a percentage of the District's covered payroll	75.69%	77.01%	81.67%	65.18%	85.59%
KPERS fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%
Schedule of District Contributions to KPERS					
Contractually required District contributions	$ 12,958	$ 10,326	$ 12,851	$ 13,670	$ 12,738
Contributions in relation to the contractually required amount	12,958	10,326	12,851	13,670	12,738
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 149,770	$ 123,982	$ 145,712	$ 146,446	$ 139,038
Contributions as a percentage of covered payroll	8.65%	8.33%	8.82%	9.33%	9.16%

SUPPLEMENTARY INFORMATION

Type	Expiration Date	Amount of Coverage	Description
Worker's compensation	2/1/2025	$ 500,000	Employers Liability: Each Accident
		500,000	Employers Liability: Disease - Policy Limit
		500,000	Employers Liability: Disease - Each Employee
		Statutory benefit	Workers Compensation
Commercial property	2/1/2025	9,866,771	Buildings, standpipe, storage tank, other personal property
Crime coverage	2/1/2025	200,000	Employee Theft - Blanket - Per Loss & Including Treasurer
General liability	2/1/2025	2,000,000	General aggregate limit
		1,000,000	Personal and advertising limit
		1,000,000	Each occurrence limit
		300,000	Fire damage liability limit
		5,000	Medical expense – each claim
Automobile	2/1/2025	500,000	Bodily injury and property damage liability limit
		500,000	Uninsured motorist – each accident
Public Officials & Employment Practices Limit	2/1/2025	1,000,000	Each loss
		1,000,000	Aggregate for each policy term
Equipment Floater	2/1/2025	500	Small tools – one items
		1,800	Small tools – each occurrence
		50,000	Scheduled Property Floater - stock of pipes, valves, regulators etc.
Cyber Solutions	2/1/2025	100,000	Cyber coverage
	2/1/2025	50,000	Data compromise
	2/1/2025	25,000	Identity recovery

Type	Expiration Date	Amount of Coverage	Description
Worker's compensation	2/1/2024	$ 500,000	Employers Liability: Each Accident
		500,000	Employers Liability: Disease - Policy Limit
		500,000	Employers Liability: Disease - Each Employee
		Statutory benefit	Workers Compensation
Commercial property	2/1/2024	9,866,771	Buildings, standpipe, storage tank, other personal property
Crime coverage	2/1/2024	200,000	Employee Theft - Blanket - Per Loss & Including Treasurer
General liability	2/1/2024	2,000,000	General aggregate limit
		1,000,000	Personal and advertising limit
		1,000,000	Each occurrence limit
		300,000	Fire damage liability limit
		5,000	Medical expense – each claim
Automobile	2/1/2024	500,000	Bodily injury and property damage liability limit
		500,000	Uninsured motorist – each accident
Public Officials & Employment Practices Limit	2/1/2024	1,000,000	Each loss
		1,000,000	Aggregate for each policy term
Equipment Floater	2/1/2024	500	Small tools – one items
		1,800	Small tools – each occurrence
		50,000	Scheduled Property Floater - stock of pipes, valves, regulators etc.
Cyber Solutions	2/1/2024	100,000	Cyber coverage
	2/1/2024	50,000	Data compromise
	2/1/2024	25,000	Identity recovery

	2024	2023
Benefit units	1,153	1,124
Gallons sold	90,546,500	89,996,000
Gallons produced	115,497,000	108,277,000
Water loss (unaccounted for) percentage	21.31%	17.80%
Water loss gallons	24,950,500	19,281,000
Water loss (unaccounted for)	$ 72,111.00	$ 72,111.00
Average monthly water sales per benefit unit	$ 72.00	$ 72.34
Average monthly operating expense per benefit unit	$ 86.92	$ 79.75
Average monthly interest expense per benefit unit	$ 1.69	$ 1.52
Average monthly depreciation and amortization per benefit unit	$ 25,.50	$ 26.26
Average monthly gallons sold per benefit unit	6,544	6,672
Gallons sold under contract (City of McLouth and RWD #10 Leavenworth Co.)	8,276,000	8,226,000

EXPENDITURES OF FEDERAL AWARDS

KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
Rural Water District No. 13,
Jefferson County, Kansas
1951 Wellman Rd.
Lawrence, KS 66044

April 22, 2025

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Opinion on Each Major Federal Program

We have audited Rural Water District No. 13, Jefferson County, Kansas' (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a directand material effect on each of the District's major federal programs for the year ended December 31, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505
KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as finding 2024-001 that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
Rural Water District No. 13,
Jefferson County, Kansas
1951 Wellman Rd.
Lawrence, KS 66044

April 22, 2025

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rural Water District No. 13, Jefferson County, Kansas, (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 22, 2025.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2024-001, that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2024-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Federal and Passthrough Grantors and Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Award Expenditures
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	$ 2,786,123

Note 1: Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal award activity of Rural Water District No. 13, Jefferson County, Kansas (the District) under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the statements of net position, changes in net position or cash flows of the District.

Expenditures reported on the schedule are reported on the accrual basis of accounting, modified to include capital asset purchases and to exclude depreciation expense. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 2: Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate provisioned by the Uniform Guidance Section 414, for reporting costs charged to federal award programs.

Note 3: Subrecipients

The District did not provide any federally sourced funding or assistance to subrecipient organizations.

Section I - Summary of Auditor's Results

Auditor's Opinions	
Report on financial statements in accordance with U.S. GAAP	Unmodified
Report on compliance for major federal award programs	Unmodified
Internal Control Over Financial Reporting:	
Significant deficiencies or material weaknesses identified	Yes
Reportable conditions identified but not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	None Reported
Internal Control Over Federal Awards:	
Significant deficiencies or material weaknesses identified	None Reported
Reportable conditions identified but not considered to be material weaknesses	None Reported
Audit Findings Required to be Reported by 2 CFR 200.516(a)	None Reported
Major Program(s) Selected for Testing	Water and Waste Disposal Systems for Rural Communities (10.760)
Threshold Used to Distinguish Type A and B Programs	$750,000
Auditee Qualified as a Low-Risk Auditee	No

Section II – Reportable Financial Statement Findings

Reference	2024-001 Financial Reporting
Federal Programs Affected	Water and Waste Disposal Systems for Rural Communities
Criteria	2 CFR 200.303 Internal Controls. A non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
Condition and Cause	There is a material weakness in the design of the internal control activities related to financial reporting as follows: • A payment to the general contractor related to December 2024 expenditures was not appropriately recorded as a payable as of December 31, 2024.
Questioned Costs	None
Context	An invoice to Hettinger Excavating for $198,189 for services rendered in December 2024 was recorded as a 2025 expense. This amount, however, was included in the December cost report provided to USDA.
Effect or Potential Effect	The accounts payable balance of the District was understated by $198,189 and the construction in process balance was understated by the same amount.
Repeat Finding	No
Recommendations	The District Manager should appropriately record each invoice in the proper recording period.
Responsible Official's Response and Corrective Action Planned	Management of Rural Water District No. 13, Jefferson County, Kansas concurs with the audit finding.
Planned Implementation Date of Corrective Action	During the year ended December 31, 2025
Person Responsible for Corrective Action	Office Manager Niki Fincham

Section III – Findings and Questioned Costs for Federal Awards

Findings None reported

2024-001 Finding: Financial Reporting

Responsible Official's Response and Corrective Action Planned
Management of Rural Water District No. 13, Jefferson County, Kansas concurs with the audit finding.

Planned Implementation Date of Corrective Action
By December 31, 2025

Person Responsible for Corrective Action
Office Manager Niki Fincham

Niki Fincham 4/22/25

Niki Fincham
Office Manager

Date